

Message Text

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SUBJECT: BITTER SWEETS: THE UNIDAL CASE

SUMMARY. STATE CONTROLLED UNIDAL, ITALY'S LARGEST MANUFACTURER AND RETAILER OF BAKERY PRODUCTS, IS IN PROCESS OF LIQUIDATION AND EVENTUAL REORGANIZATION. THE SPECIFICS OF THIS CASE, INVOLVING SOME 8800 WORKERS IN ROME, MILAN AND NAPLES, ILLUSTRATE A FAMILIAR ELEMENT IN ITALY'S INDUSTRIAL DILEMMA: THE APPARENTLY IRRESISTIBLE PRESSURE FROM THE UNIONS ON LEADERS IN BOTH PUBLIC AND PRIVATE SECTORS TOWARD MAKING DECISIONS BASED NOT ON ECONOMIC LOGIC, BUT ON SHORT-TERM SOCIO-POLITICAL NEEDS. END SUMMARY.

1. ALEMAGNA AND MOTTA, TWO OF ITALY'S MOST PROMINENT PRIVATE CONFECTIONARY FIRMS, WHO WERE COMPETITORS, BEGAN TO ENCOUNTER SERIOUS FINANCIAL DIFFICULTIES, AS DID COUNTLESS OTHER COMPANIES, FOLLOWING THE "HOT AUTUMN" OF 1969, WHICH RESULTED IN OVERDUE, BUT EXCESSIVE GAINS FOR THE LABOR SECTOR. IN A MANEUVER PARALLELED IN MANY INDUSTRIES, THE COMPANIES SOUGHT GOVERNMENT ASSISTANCE - AND SOCIETA MERIDIONALE FINANZIARIA (SME), THE GOVERNMENT HOLD-
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ING COMPANY IN THE FOOD SECTOR--A PART OF THE IRI EMPIRE HEAD-QUARTERED IN ROME--ACQUIRED CONTROLLING INTEREST IN EACH FIRM. IN AUGUST, 1976, THE TWO COMPANIES WERE CONSOLIDATED AS UNIDAL WITH SME OWNING 58 PERCENT OF THE SHARES.

2. UNIDAL, HOWEVER, MERELY INHERITED THE OVER-EMPLOYMENT AND OTHER PROBLEMS FROM ALEMAGNA/MOTTA AND WAS UNABLE TO DEAL

WITH THEM. DESPITE SPIN-OFF OF CERTAIN ASSETS AND RESULTING REDUCTION IN LABOR FORCE (A PROGRAM LARGELY THWARTED BY LABOR OPPOSITION) BY MID-1977 UNIDAL HAD ACCUMULATED OVER 30 BILLION LIRE (\$34 MILLION) IN LOSSES IN LESS THAN A YEAR. IN SEPTEMBER 1977, IRI AND SME DECIDED TO LIQUIDATE UNIDAL AND ORGANIZE A NEW OPERATING COMPANY--SIDAL--WHICH WOULD CONTINUE THE FORMER UNIDAL OPERATION, BUT WITH ONLY HALF OF ITS 8800 EMPLOYEES.

3. AS EXPECTED, THE UNIONS DISAGREED WITH THE PLAN AND REQUESTED RE-EMPLOYMENT BY SIDAL OF THE ENTIRE WORK-FORCE. THIS WAS REJECTED AND, ON JANUARY 4, LETTERS OF DISMISSAL WERE SENT BY UNIDAL TO ALL OF THE WORKERS. THEY, IN TURN, RESPONDED BY OCCUPYING THE PLANTS AT MILAN AND NAPLES. BUDGET MINISTER MORLINO HAS AGREED TO ACT AS INTERMEDIATOR BETWEEN SME AND THE UNIONS; THUS FAR THERE HAS BEEN AGREEMENT THAT THE 4400 WORKERS NOT TO BE RE-EMPLOYED WILL BE PLACED IN THE WAGE SUPPLEMENT FUND, THE MUCH-ABUSED SYSTEM BASICALLY DESIGNED TO PROVIDE NEARLY FULL SALARY FOR WORKERS TEMPORARILY LAID OFF OR WORKING PART-TIME.

HOWEVER, THE UNIONS INSIST THAT THESE 4400 WORKERS FIRST BE PUT ON THE SIDAL PAYROLL, AND THEN TRANSFERRED TO THE WAGE SUPPLEMENT FUND, WHICH MEANS THAT SIDAL WOULD HAVE TO FIND WORK FOR ALL 8800. SME AND MORLINO HAVE INSISTED THAT 4400 BE PLACED IN THE WAGE SUPPLEMENT FUND BY UNIDAL, NOW BEING LIQUIDATED; WITHIN A PERIOD OF TIME OTHER WORK WOULD BE LIMITED OFFICIAL USE

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THEN HAVE TO BE FOUND FOR THESE WORKERS, BUT THEY WOULD NOT BECOME PART OF THE NEWLY FORMED SIDAL. THIS IS THE STATE OF THE CURRENT IMPASSE.

4. COMMENT. THE OUTCOME OF THE UNIDAL CASE WILL BE AN IMPORTANT SIGN POST OF THE DIRECTION OF DECISION-MAKING IN ITALY AFFECTING INDUSTRIAL RECONVERSION AND PRODUCTIVITY. IT SEEMS EVIDENT THAT UNIDAL HAD AT LEAST DOUBLE THE NUMBER OF EMPLOYEES IT NEEDED, YET RECENT HISTORY INDICATES THAT THE UNIONS MAY SUCCEED IN THEIR OBJECTIVE. THE OCCUPATION OF PLANTS CONTEMPORATING UNPOPULAR DECISIONS IS A POWERFUL TOOL IN THE HANDS OF THE UNIONS. ALTHOUGH ILLEGAL, EXPERIENCE HAS BEEN THAT NEITHER THE COURTS NOR THE GOVERNMENT WILL TAKE ANY EFFECTIVE ACTION AGAINST THE WORKERS. THE CURRENT POLITICAL CRISIS HAS PROBABLY STRENGTHENED THE HAND OF THE UNIONS AND THEIR POLITICAL SUPPORTERS. GARDNER

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